

Nationwide 457 Plan Quarterly Newsletter

Burgess Chambers & Associates (BCA)

BCA is the City of Hialeah Deferred Compensation Plan Consultant and Investment Performance Monitor

BCA Market Perspective ©

The Perils of Cheap Oil

January 2016

The price and availability of oil affects all of us. From fuels to fertilizer to building materials, the number of everyday products is endless. Until we come up with a way to capture carbon dioxide from the atmosphere and convert it into fuels, oil is here to stay. Oil is perhaps the most important resource needed to maintain our standard of living and improve the well-being of the developing world. The world produces 93 million barrels of oil per day, 34% of which comes from the 13-member OPEC cartel - followed by Russia (12%), and US (10%). A 1.5 million per day surplus of crude has been in place for more than a year – causing a global pricing collapse.

Consumers enjoy \$2 gasoline and are in fact driving 3.5% more than in 2014. While oil companies are suffering, the other nine economic sectors are benefitting from lower energy costs. For now, there will be a positive wealth effect. This is giving consumers world-wide a \$7.8 billion tax cut every day (Source: WSJ 1/8/16). Not only are heating bills lower, but as petro chemical prices fall with oil, the cost of fertilizer, plastics, fabrics, resins, paint and just about everything else gets cheaper. But what happens in three years when global oil production begins a precipitous decline? It takes five to ten years to identify, evaluate, engineer and drill new oil fields. Deep off-shore projects take the longest. Energy companies are laying off geologists, engineers, welders, electricians, painters, pipefitters, and field hands. Unused drilling rigs are piling up in empty fields.

As world demand for oil approaches over 100 million barrels per day in the next five years, less production will be available from friendly regions around the world. By that time, Saudi Arabia may be in the midst of a full blown war with Iran (and Iraq). The other Saudi friendly Persian Gulf states may not have protection. The developed world, along with the emerging powers of China and India are at great risk today that oil supplies may be disrupted in the near future. This uncertainty, creates volatility in the market, and potentially causes nations to prepare for war.

Disclosure: All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change. Content should not be regarded as a complete analysis of the subjects discussed or as personalized investment advice. All investment strategies have the potential for profit or loss. References to market performance in publications do not represent the returns achieved by Burgess Chambers & Associates or any of its advisory clients.

NATIONWIDE PERFORMANCE SUMMARY

Below you will find information relating to funds in the Hialeah Deferred Compensation Plan that have been placed on a watch list by our consultant, BCA. This is not a recommendation to buy or sell any funds, but an indication that BCA has identified these funds as those that are not meeting their specific performance expectations over the last 3 to 5 years, and/or experienced material management changes. This performance information shows the returns versus a benchmark index as well as a ranking against similarly managed funds. The City will continue to monitor these funds closely and will consider changes to the managers or adding additional fund options as recommended by BCA and Nationwide. For information on all of the available investment options plus additional information on your Plan, please contact **Ana Aguirre, Nationwide Retirement Specialist. Phone: (786) 506-2944 or email: Aguirra4@nationwide.com.**

BCA would recommend consulting with a personal advisor before making any investment decisions or you are encouraged to schedule an appointment with your Nationwide Retirement Specialist when they visit the various locations. In addition, the City encourages your attendance at any of the numerous City sponsored educational and retirement planning sessions held throughout the year.

Group/Investment	Ticker	Quarter		1 Year		3 Years		5 Years	
		Return	Rank	Return	Rank	Return	Rank	Return	Rank
Portfolio Holdings									
US OE Large Growth									
American Century Growth Inv	TWCGX	7.32	40	4.56	43	14.59	65	11.18	63
Neuberger Berman Socially Rspns Inv	NBSRX	5.87	70	-0.41	84	15.00	59	10.38	77
NVIT Multi-Manager Large Cap Growth I		6.73	72	3.43	66	15.46	65	11.70	59
Benchmark 1: Russell 1000 Growth TR USD		7.32		5.67		16.83		13.53	
US OE Intermediate-Term Bond									
Nationwide Bond Index A Load Waived GBIAAX.lw		-0.72	62	-0.14	53	0.78	71	2.59	82
Benchmark 1: Barclays US Agg Bond TR USD		-0.57		0.55		1.44		3.25	
US OE Conservative Allocation									
Nationwide Inv Dest Cnstrv Svc	NDCSX	0.55	69	-0.23	13	2.37	76	3.01	87
Benchmark 1: US OE Conservative Allocation		0.91		-2.37		2.79		3.83	
US OE Moderate Allocation									
Nationwide Inv Dest Mod Svc	NSDMX	2.24	70	-1.60	57	5.74	76	5.55	75
Benchmark 1: US OE Moderate Allocation		2.54		-1.98		6.39		6.05	
US OE Retirement Income									
Nationwide Retirement Income Instl Sv NWRSX		1.03	44	-0.49	19	1.92	75	2.28	89

*Yellow highlights are for underperformance in the 3 & 5 Year periods.

FREQUENTLY ASKED INVESTMENT QUESTIONS

Q: What are examples of risk?

A: It is the participant's responsibility to decide on an appropriate asset allocation, selecting suitable investment options, monitor and rebalance the portfolio. Investment risks fall into two categories: diversifiable and undiversifiable. By owning a wide range of investment securities, different style and in different industries, investors will be less affected by an event or decision that has a strong impact on one company, one style, or one industry. However, even a well-diversified portfolio cannot escape all risk, which is uncertainty that faces the market as a whole. Even staying out of the market completely will not take an investor's risk down to zero, because he or she would still face risks such as inflation and not having enough assets to retire.

Q: What is inflation risk?

A: Over the long-term, inflation has averaged approximately 3% growth per year. Which means that cost of living will increase by 3% going forward, and the amount of money you need to retire will also increase by the same amount each year. It is imperative for retirees to consider the possibility of running out of money.

HIALEAH FINANCIAL PLANNING EDUCATION PROGRAM

The City offers an expanded financial planning education program for new member enrollment and ongoing participant education as part of Hialeah's Financial Planning initiatives. The City schedules quarterly meetings, group classes, individual counseling, and online webinars. Please visit the Employees tab on the City's website (www.hialeahfl.gov).